

**COMMONWEALTH OF KENTUCKY  
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET  
OFFICE OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES  
AGENCY CASE NO. 2008-AH- 205**

IN THE MATTER OF:  
JAMES M. JONES AND  
BROOKSTONE CAPITAL MANAGEMENT, LLC

**SETTLEMENT AGREEMENT & ORDER**

**BACKGROUND AND FACTUAL FINDINGS**

1. The Office of Financial Institutions ("OFI") is agency of Kentucky state government charged with enforcement of the provisions of KRS Chapter 292 (the "Kentucky Securities Act") and the rules and regulations enacted thereunder.

2. Brookstone Capital Management, LLC ("Brookstone") is a registered Investment Adviser (#141413), which is also registered as such in Kentucky with the OFI. Brookstone maintains its principal offices at 1751 S. Naperville Road, Suite 208, Wheaton, Illinois 60187. Brookstone's president is Dean Zayed. Brookstone is doing business in the Commonwealth of Kentucky through its agents and representatives.

3. James M. Jones is a registered investment adviser representative with Brookstone. Mr. Jones was registered in the State of Indiana on October 19, 2006. He was registered in Kentucky on February 21, 2008. Mr. Jones maintains a business address at New Covenant Retirement Planning, LLC, 9900 Corporate Campus Drive, Suite 3000, Louisville, Kentucky 40223. Mr. Jones is also a licensed insurance agent in Kentucky (KY Ins. Lic. #DOI566842) and in Indiana (IN Ins. Lic. #433399).

4. On or about February 12, 2008, the OFI received an inquiry from a Kentucky citizen regarding Mr. Jones and was advised by that same citizen that Mr.

Jones was conducting retirement and financial planning free dinner seminars in a variety of locations in western Kentucky. The citizen also sent the OFI a copy of one of the seminar brochures/invitations. The brochure/invitation furnished to the OFI states that among the topics to be addressed are: “**S&P 500 Index** – How to **lock-in** index linked gains each year without market risk to your principal!” and “**IRA Update** – Be aware of the latest government changes affecting your IRS’s and retirement plan.” (emphasis contained in original brochure/invitation). The brochure/invitation identifies the seminar’s “host” as “Jim Jones, Investment Advisor Representative, a popular Financial Advisor. Jim has conducted Financial Workshops throughout Indiana and Kentucky.” The last statement contained in the brochure/invitation is “Investment advisory services provided by Brookstone Capital Management LLC, a Registered Investment Advisor.”

5. Following its receipt of this information, the OFI verified that Mr. Jones was registered as an investment adviser representative with Brookstone in Indiana, but was not then so registered in that capacity in Kentucky. The OFI then opened an investigation pursuant to its authority under KRS 292.460.

6. On February 14, 2008, the OFI sent a letter to Mr. Jones, with a copy to Brookstone, advising that it had received a copy of the invitation to his financial planning workshop and that according to the records of its Division of Securities, Jones was not registered as an investment adviser representative in Kentucky. The OFI requested that a meeting be arranged to discuss the matter in detail.

7. On February 26, 2008, Mr. Jones and Brookstone’s president, Dean Zayed, met with representatives of the OFI to discuss the registration status of Mr. Jones’ registration in Kentucky and the content of the seminars. At this meeting, Mr. Jones

stated that he had mistakenly thought he was registered in both Indiana and Kentucky from the time he began working for Brookstone in 2006, and did not realize that he was not registered in Kentucky until he received notice of that fact from the OFI. Mr. Zayed added that the mistake was an oversight or clerical error on the part of Brookstone and/or its third party compliance firm. After receiving notice from the OFI, Brookstone registered Jones in Kentucky on February 21, 2008.

8. At that same meeting, Mr. Zayed advised that prior to their use in connection with the financial planning seminars, Brookstone had reviewed and approved all seminar advertisements, documents and other written materials used by Mr. Jones in connection with the seminars.

9. From information subsequently furnished by Brookstone, it appears that Mr. Jones has conducted twelve (12) such financial planning dinner seminars in Kentucky since September, 2006 without being registered as an investment adviser representative in Kentucky. As a result of those dinner seminars, Mr. Jones has obtained three (3) advisory clients in Kentucky and has sold annuity products to twenty-four (24) Kentucky residents. Brookstone further represents that neither it nor Mr. Jones has as yet received any remuneration from the Kentucky advisory clients.

10. KRS 292.330(1)(a) provides that it is unlawful for any person to transact business in the Commonwealth of Kentucky as an investment adviser representative unless that person is so registered under this statutory chapter.

11. Brookstone admits that it permitted Jones to hold himself out to the public as a registered investment adviser representative in Kentucky in seminar materials and

generally otherwise during a period of approximately two (2) years when he was not in fact so registered.

### **AGREEMENT AND ORDER**

The Office of Financial Institutions and Brookstone in the interest of economically and efficiently resolving the issues raised in the foregoing Background and Factual Findings, agree as follows:

Brookstone Capital Management, LLC shall pay a fine in the amount of Two Thousand Dollars (\$2,000), which fine shall be payable to the Kentucky State Treasurer and mailed to the Office of Financial Institutions, Attn: William B. Owsley, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601, on or before the date of execution of this Settlement Agreement & Order. Brookstone further agrees that it will take the measures necessary to ensure in the future that all of its investment adviser representatives operating in Kentucky are properly registered with the OFI. Upon payment the fine and entry of this Agreed Order, the OFI shall conclude and close its investigation in this matter.

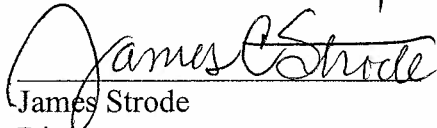
Dated this 2nd day of May, 2008.

A handwritten signature in black ink, appearing to read "KTO Owsley", is written over a horizontal line.

Executive Director  
Kentucky Office of Financial Institutions

Consented To:

This 1<sup>ST</sup> day of MAY, 2008

  
James Strode

Director

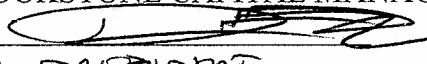
Division of Securities

Kentucky Office of Financial Institutions

AND

This 1<sup>ST</sup> day of MAY, 2008

BROOKSTONE CAPITAL MANAGEMENT, LLC

BY: 

ITS: PRESIDENT  DEAN ZAY (E)